

# How the Mormons Make Money

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Caroline Winter

Late last March the Mormon Church completed an ambitious project: a megamall. Built for roughly \$2 billion, the City Creek Center stands directly across the street from the church's iconic neo-Gothic temple in Salt Lake City. The mall includes a retractable glass roof, 5,000 underground parking spots, and nearly 100 stores and restaurants, ranging from Tiffany's to Forever 21. Walkways link the open-air emporium with the church's perfectly manicured headquarters on Temple Square. Macy's is a stone's throw from the offices of the church's president, Thomas S. Monson, whom Mormons believe to be a living prophet.

On the morning of its grand opening, thousands of shoppers thronged downtown Salt Lake, eager to elbow their way into the stores. The national anthem played, and Henry B. Eyring, one of Monson's top counselors, told the crowds, "Everything that we see around us is evidence of the long-standing commitment of the Church of Jesus Christ of Latter-day Saints to Salt Lake City." When it came time to cut the mall's flouncy pink ribbon, Monson, flanked by Utah dignitaries, cheered, "One, two, three—let's go shopping!"

Watching a religious leader celebrate a mall may seem surreal, but City Creek reflects the spirit of enterprise that animates modern-day Mormonism. The mall is part of a sprawling church-owned corporate empire that the Mormon leadership says is helping spread its message, increasing economic self-reliance, and building the Kingdom of God on earth. "The Church of Jesus Christ of Latter-day Saints attends to the total needs of its members," says Keith B. McMullin, who for 37 years served within the Mormon leadership and now heads a church-owned holding company, Deseret Management Corp. (DMC), an umbrella organization for many of the church's for-profit businesses. "We look to not only the spiritual but also the temporal, and we believe that a person who is impoverished temporally cannot blossom spiritually."

McMullin explains that City Creek exists to combat urban blight, not to fill church coffers. "Will there be a return?" he asks rhetorically. "Yes, but so modest that you would never have made such an investment—the real return comes in folks moving back downtown and the revitalization of businesses." Pausing briefly, he adds with deliberation, "It's for furthering the aim of the church to make, if you will, bad men good, and good men better."



The Church: The imposing Salt Lake Temple took 40 years to build

Photograph by Nathanael Turner for Bloomberg Businessweek

It's perhaps unsurprising that Mormonism, an indigenous American religion, would also adopt the country's secular faith in money. What is remarkable is how varied the church's business interests are and that so little is known about its financial interests. Although a former Mormon bishop is about to receive the Republican Party's presidential nomination, and despite a recent public-relations campaign aimed at combating the perception that it is "secretive," the LDS Church remains tight-lipped about its holdings. It offers little financial transparency even to its members, who are required to tithe 10 percent of their income to gain access to Mormon temples.

The Mormon Church is hardly the only religious institution to be less than forthcoming about its wealth; the Catholic Church has been equally opaque throughout history. On the other hand, says historian D. Michael Quinn, who is working on a book about the LDS Church's finances and businesses, "The Mormon Church is very different than any other church. ... Traditional Christianity and Judaism make a clear distinction between what is spiritual and what is temporal, while Mormon theology specifically denies that there is such a distinction." To Latter-day Saints, opening megamalls, operating a billion-dollar media and insurance conglomerate, and running a Polynesian theme park are all part of doing God's work. Says Quinn: "In the Mormon [leadership's] worldview, it's as spiritual to give alms to the poor, as the old phrase goes in the Biblical sense, as it is to make a million dollars."

Mormons make up only 1.4 percent of the U.S. population, but the church's holdings are vast. First among its for-profit enterprises is DMC, which reaps estimated annual revenue of \$1.2 billion from six subsidiaries, according to the business information and analysis firm Hoover's Company Records. Those subsidiaries run a newspaper, 11 radio stations, a TV station, a publishing and distribution company, a digital media company, a hospitality business,

and an insurance business with assets worth \$3.3 billion.

AgReserves, another for-profit Mormon umbrella company, together with other church-run agricultural affiliates, reportedly owns about 1 million acres in the continental U.S., on which the church has farms, hunting preserves, orchards, and ranches. These include the \$1 billion, 290,000-acre Deseret Ranches in Florida, which, in addition to keeping 44,000 cows and 1,300 bulls, also has citrus, sod, and timber operations. Outside the U.S., AgReserves operates in Britain, Canada, Australia, Mexico, Argentina, and Brazil. Its Australian property, valued at \$61 million in 1997, has estimated annual sales of \$276 million, according to Dun & Bradstreet.

The church also runs several for-profit real estate arms that own, develop, and manage malls, parking lots, office parks, residential buildings, and more. Hawaii Reserves, for example, owns or manages more than 7,000 acres on Oahu, where it maintains commercial and residential buildings, parks, water and sewage infrastructure, and two cemeteries. Utah Property Management Associates, a real estate arm of the church, manages portions of City Creek Center. According to Spencer P. Eccles from the Utah Governor's Office of Economic Development, the mall cost the church an estimated \$2 billion. It is only one part of a \$5 billion church-funded revamping of downtown Salt Lake City, according to the Mormon-owned news site KSL. "They run their businesses like businesses, no bones about it," says Eccles.



The Megamall: The Mormon-owned City Creek Center, completed in five and a half years

Photograph by Nathanael Turner for Bloomberg Businessweek

In addition, the church owns several nonprofit organizations, some of which appear to be lucrative. Take, for

example, the Polynesian Cultural Center (PCC), a 42-acre tropical theme park on Oahu's north shore that hosts luaus, canoe rides, and tours through seven simulated Polynesian villages. General-admission adult tickets cost \$49.95; VIP tickets cost up to \$228.95. In 2010 the PCC had net assets worth \$70 million and collected \$23 million in ticket sales alone, as well as \$36 million in tax-free donations. The PCC's president, meanwhile, received a salary of \$296,000. At the local level, the PCC, opened in 1963, began paying commercial property taxes in 1992, when the Land and Tax Appeal Court of Hawaii ruled that the theme park "is not for charitable purposes" and is, in fact, a "commercial enterprise and business undertaking." Nevertheless, the tourist destination remains exempt from federal taxes because the PCC claims to be a "living museum" and an education-oriented charity that employs students who work at the center to pay their way through church-run Brigham Young University-Hawaii.

"There are religious groups that own radio stations, but they don't also own cattle ranches. There are religious groups that own retreats, but they don't also own insurance companies," says Ryan Cragun, a sociology professor at the University of Tampa and co-author of the recently published book *Could I Vote for a Mormon for President?* "Given their array of corporate interests, it would probably make more sense to refer to them as The Church of Jesus Christ of Latter-day Saints Holdings Inc."



As a religious organization, the LDS Church enjoys several tax advantages. Like other churches, it is often exempt from paying taxes on the real estate properties it leases out, even to commercial entities, says tax lawyer David Miller, who is not Mormon. The church also doesn't pay taxes on donated funds and holdings. Mitt Romney and others at Bain Capital, the private equity firm he co-founded in 1984, gave the Mormon Church millions' worth of stock holdings obtained through Bain deals, according to Reuters. Between 1997 and 2009, these included \$2 million in Burger King and \$1 million in Domino's Pizza shares. Under U.S. law, churches can legally turn around and sell donated stock without paying capital-gains taxes, a clear advantage for both donor and receiver. The church also makes money through various investment vehicles, including a trust company and an investment fund called Ensign Peak Advisors, which employs managers who specialize in international equities, cash management, fixed income, quantitative investment, and emerging markets, according to profiles on LinkedIn. Public information on Ensign Peak is sparse. In 2006 one of the fund's vice presidents, Laurence R. Stay, told the Mormon-run *Deseret*



*News*, “As we trade securities, all of the trading happens essentially with a handshake. ... There’s lots of protections around it, but billions of dollars change hands every day just based on the ethics of the group—that people know that they can trust each other.”

According to U.S. law, religions have no obligation to open their books to the public, and the LDS Church officially stopped reporting any finances in the early 1960s. In 1997 an investigation by *Time* used cross-religious comparisons and internal information to estimate the church’s total value at \$30 billion. The magazine also produced an estimate that \$5 billion worth of tithing flows into the church annually, and that it owned at least \$6 billion in stocks and bonds. The Mormon Church at the time said the estimates were grossly exaggerated, but a recent investigation by Reuters in collaboration with sociology professor Cragun estimates that the LDS Church is likely worth \$40 billion today and collects up to \$8 billion in tithing each year.

Quinn, a faithful Mormon who spent 12 years on the faculty at the LDS Church’s Brigham Young University in Provo, Utah, before being excommunicated for apostasy related to research he published on Mormons, has been gathering financial information for years. Several high-ranking church insiders told him that the church’s finances are so compartmentalized that no single person, not even the president, knows the entirety of its holdings.

If anyone is in a position to know the ins and outs of the LDS businesses, it’s Keith McMullin. He’s spent the past 17 years serving as the No. 2 counselor in the church’s so-called Presiding Bishopric, a three-man team that officially controls church finances and business endeavors and now presides over DMC. At 70, McMullin is mostly bald, with watery blue eyes behind his unrimmed specs. He stands about 5’5” and wears fine-quality suits. A gold band on his right ring finger, set with a red stone the size of a Chiclet, was a present his parents gave him decades ago for passing the ninth grade. After college, McMullin worked for three years as an investment and financial analyst at Ford Motor. He subsequently worked for a few smaller companies before being called to serve as managing director of the church’s Welfare Services Department and eventually the Bishopric.

Last April, after completing a 17-year stint, McMullin presumed he was headed for retirement. It came as a surprise when Monson, the church’s highest-ranking official, called McMullin into a board meeting and asked him to become CEO of DMC. McMullin immediately said yes, moving into his new office days later.

DMC, housed in a boxy complex that also contains some of its subsidiaries as well as the LDS Business College, sits two blocks west of Temple Square. On the ground floor, a receptionist greets visitors from behind a plexiglass wall—the kind that requires people on opposite sides to talk through a telephone. (The safety glass was added in 1999, after a mentally ill woman entered the building and shot employees, killing one.)



The CEO: Deseret Management's Keith McMullin in his Salt Lake City office

Photograph by Nathanael Turner for Bloomberg Businessweek

McMullin's fifth-floor office overlooks an empty parking lot. Sparsely decorated, the room is entirely clutter-free. A Bible and a *Book of Mormon* lie beside a photo of a smiling McMullin and his wife, Carolyn. Seated at a conference table in late May he told me, "I haven't had much time to settle in."

McMullin says the Mormon Church has "two or three or four for-profit entities under the Presiding Bishopric," and names DMC, AgReserves, and Suburban Land Reserve. He says DMC has about "2,000 to 3,000 employees." He also confirms Hoover's estimate that DMC has annual revenue of roughly \$1.2 billion, but a church spokesman later writes to say that McMullin retracted his estimate, claiming that \$1.2 billion is "vastly overstated." He did not offer a new one.

To understand DMC's place in the church's financial structure, it's important to start at the very top: The Mormon Church is owned and run by what is called the Corporation of the President of the Church of Jesus Christ of Latter-day Saints. This entity is a "corporation sole," which is an obscure legal body owned entirely by one person. In the case of the Mormon Church, that person is Monson, the prophet.

The Mormon presidency is not an elected position, and while the president is considered a prophet, it's also not considered a direct appointment from God. When one president resigns or dies, he is replaced by the longest-serving member of the Quorum of the Twelve Apostles, an ecclesiastic group commonly referred to as the Apostles. Each new president handpicks two counselors to help him lead. The three-man team is called the First Presidency.

The church's "General Authorities"—of which there are more than 100—consist of the First Presidency, the Presiding Bishopric, the Quorum of Twelve Apostles, and two other groups, the so-called Quorums of the Seventy. Although the LDS Church is largely run by a lay clergy, most General Authorities work full-time and receive salaries from the Corporation of the President. Until the 1960s, salaries were based on hierarchy, with the prophet receiving top dollar. This changed when then-President David O. McKay decided that all General Authorities, including the

prophet, should receive equal pay.

The businessmen who run the church's for-profit arms, by contrast, likely hold salaries comparable to what they'd receive in the secular world, says Quinn. In some cases, individual General Authorities augment their salaries by serving as board members of the church's for-profit companies. Several have business backgrounds. Monson, for example, has a bachelor's degree in business and once worked as a newspaper advertising executive.

DMC is overseen by 10 directors: the members of the First Presidency, the Presiding Bishopric, three senior Apostles, and McMullin. "They give direction to the overall or umbrella company, but they do not give direct supervision to the corporate enterprises," McMullin says. "That's done through the respective boards and their executive teams."

DMC's decision-making process is fairly standard. "Just as in any corporation, there are established levels of authority," explains McMullin. "I can make decisions up to a certain level, either determined by financial implications or strategic or tactical implications, and once that limit as defined is met, I go on to the board of directors for further guidance." At that point, "strategic questions are posed, asked, and charted, so the board has a clear idea what the pluses and minuses are. Those closest to the problems will make recommendations, and they will be discussed. Often the recommendations will be accepted. Not always." That was the process, for example, when DMC decided last year to sell 17 of its 28 radio stations for \$505 million and focus more on Internet ventures.

Besides having final say on major transactions, the church owns all of DMC's shares. And each year the holding company, like all church businesses, donates 10 percent of its income to a church fund. In some cases money flows in the opposite direction, from the church's treasury to the businesses. "From time to time, if there is a particular need, there would be some monies available, but fortunately over the years that has not been the case very often," says McMullin. "If you have a particular reversal in an enterprise, you need to have some additional cash flow until you work through a difficult time. I'll give you an example, we're going through one right now: It's called a recession." McMullin declined to elaborate on whether the church has been bailing out subsidiaries.



The Publisher: Deseret Book's Sheri Dew, author of 'If Life Were Easy, It Wouldn't Be Hard'

Photograph by Nathanael Turner for Bloomberg Businessweek

Asking your prophet to fund a flailing business can be stressful. Sheri Dew, chief executive officer of the DMC subsidiary Deseret Book, pulled the publisher and distributor out of the red 10 years ago. It's now profitable. "There's, like, nothing worse on the planet than to go back to your owner and say, 'Uh, we didn't do what we told you we'd do,' especially because one of the interesting things we deal with is that the owner is also an ecclesiastical leader whom we revere," she says. "That's the toughest thing about an organization that's owned by the church, because you don't want to disappoint them, and you don't want them to have to worry about what you're doing, because they have better things to think about."

Both McMullin and Dew say that working for the church is more rewarding than working in the secular world. "When you move from a work environment that's made up of salaries and titles and benefits to a work environment that's focused on building people and strengthening the lives and well-being of individuals, you have an entirely different purpose," says McMullin. Dew, who has the friendly, no-nonsense manner of a high school basketball coach, concedes that "some days just drive us all nuts ... but you come to work here saying, 'I feel like I'm doing something I really care about.' That's the difference, and that's huge. That keeps me going days when I think, 'You know, I hate these 70-hour weeks.'"

Other than the unique pressures and joys of working for your spiritual leader, church executives say their enterprises aren't so unusual. "Do we go around in frocks and pray all the time? The answer is no, we run these like businesses," says McMullin. "I have over there a set of scriptures—see those black books over there? Do I consult



those scriptures every time I make a decision? The answer is no. Do I look to them for guiding and eternal principles on which good, sound decisions are made? The answer is yes.”

The Mormon belief in the spiritual value of financial success goes back to 1830, when the religion’s founder, Joseph Smith, announced to his followers that God had told him the following: “Verily I say unto you, that all things unto me are spiritual, and not at any time have I given unto you a law which was temporal.” In other words, historian Quinn translates, “whether it’s investing in a merchandising store, or tannery, or a lumber mill, or a hotel, or a bank—all of which occurred under Joseph Smith’s leadership—according to that 1830 revelation, it’s all spiritual.”

In its early days, the church’s entrepreneurial rigor was fueled by necessity. Mormons, who clashed with neighbors and government authorities over practices such as polygamy, often had to fend for themselves. The group also espoused separatist financial goals of “erecting and maintaining an improved economic system for its members,” according to historian Leonard J. Arrington, who points out that 88 of Smith’s 112 revelations deal directly or indirectly with economic matters. When Mormons arrived in Utah in 1847 it was a barren territory, still under Mexican jurisdiction. To settle the land, Arrington writes, over a 15-year period in the late 1800s, “Mormons constructed 200 miles of territorial railroad, a \$300,000 woolen mill, a large cotton factory, a wholesale-retail concern with sales of \$6,000,000 a year, more than 150 local general stores, and at least 500 local cooperative manufacturing and service enterprises.”

Today, Temple Square is filled with statues glorifying the industry of those pioneers. The state emblem is a beehive, in honor of diligent work, and the term “deseret,” used in the titles of many Latter-day enterprises, derived from the *Book of Mormon*, means “honeybee.”

These days Mormons use their businesses in part to spread church values. “I think the reason to have businesses is to communicate and try and have influence, whether it’s through a book, or through a blog, or a website, or a TV station, or radio stations, a newspaper, whatever it is,” says Dew, who has courted controversy in the past for her views opposing gay marriage. “We here at Deseret Book think families are important, and kids are important, marriage is important, and values are important ... and if there are ways we can communicate it, whether through nonfiction or fiction, we want to do it.”

Many Mormons see their church’s economic success as a sign of good stewardship, but at least a few I spoke to say they are uneasy about the price tag of the new Mormon mall, the church’s lack of transparency, and its centralized finances. “The money may be perfectly administered, for all we know,” says Ron Madson, 57, a lawyer and lifelong Mormon who once served as a church bishop. “But we don’t know. ... When we see these expenses for the City Creek Mall, for the hunting preserves, these commercial enterprises, Ensign Peak, we don’t know where it’s going.”

Until the 1990s, wards—the Mormon equivalent of parishes—kept some donated member money locally to distribute for aid and activities as they saw fit. Today all money is wired directly to Salt Lake City. McMullin insists that not one penny of tithing goes to the church’s for-profit endeavors, but it’s impossible for church members to know for sure. Although the Mormon *Doctrine and Covenants* says “all things shall be done by common consent in the church,” members are not provided with any financial accounting. Daymon M. Smith, a Mormon anthropologist, points out that tithing slips read, “Though reasonable efforts will be made globally to use donations as designated, all donations become the Church’s property and will be used at the Church’s sole discretion to further the church’s overall mission.”

According to an official church Welfare Services fact sheet, the church gave \$1.3 billion in humanitarian aid in more than 178 countries and territories during the 25 years between 1985 and 2010. A fact sheet from the previous year indicates that less than one-third of the sum was monetary assistance, while the rest was in the form of “material assistance.” All in all, if one were to evenly distribute that \$1.3 billion over a quarter-century, it would mean that the church gave \$52 million annually. A study co-written by Cragun and recently published in *Free Inquiry* estimates that the Mormon Church donates only about 0.7 percent of its annual income to charity; the United Methodist Church

gives about 29 percent.

“Members of our faith are very generous and very sacrificing, very charitable—they pay tithes and fast offerings, and when they see needs, they address those needs,” says Madson, the former bishop. “When we see the church not doing the same things it asks the members to do, we recoil. We wonder, is this looking more and more like a corporation and less and less like a church?”

Micah Nickolaisen, a 29-year-old photographer and devout Mormon, says City Creek catalyzed his growing concern about the church’s corporate empire. He worries that the church gives too little money to humanitarian causes, even though its leaders like to boast about Mormon welfare programs. “They spent more money on a mall in three years than they did in 25 on humanitarian aid,” says Nickolaisen. These Mormons spoke on the record despite fear of repercussions from family, friends, and church authorities.

Asked about the \$1.3 billion estimate of the church’s humanitarian efforts over the last quarter-century, LDS Church spokesman Michael Purdy writes in an e-mail, “Though the church’s monetary donations are significant, much of the ‘value’ of our service is not monetary, but in the hundreds of thousands of hours of service and the talent and expertise given by church members to help others around the world.”

The LDS Church’s legions of missionaries and volunteers don’t merely spread the Mormon message around the world; they’re also vital to the church’s businesses. According to McMullin, DMC alone employs 1,400 “people who are volunteering their time and their services—some are part-time and some are volunteer.” Many of these members being asked to serve full- or part-time are retirees. “They’re making use of the Baby Boom generation, getting them to serve ‘missions’ doing data entry and all sorts of things,” says Mormon anthropologist Smith.

Wildlife biologist Clair Huff, for example, took on a two-and-a-half-year unpaid “senior mission” at the age of 68 to transform 11,000 acres of church-owned desert into a revenue-generating hunting preserve. At the time, Huff admitted to *Deseret News* that he was “reluctant to take on such a monumental task at first.” He told the paper, “It’s been tough ... but we’re making it work. We don’t see many people out here, except during hunting season.” Today, Huff and his wife remember the unpaid mission as a wonderful experience. He says plenty of volunteers came to help, and that they enjoyed collaborating with six other senior missionary couples who were working on a nearby church property, farming and building houses. By the time he and his wife were relieved by another couple, the private hunting preserve was generating \$100,000 annually.

Asked whether there’s any conflict of interest in having devout Mormons volunteer their services to for-profit enterprises, McMullin says, “Oh, I surely don’t—no, not in the least. ... When you look at what these companies do, they are for the purpose of lifting and strengthening people. If individuals want to come and enlist and participate in that endeavor and do so voluntarily, and the paid enterprises can provide resources and expertise to help them, I think it’s a wonderful marriage.” He also says that none of the DMC’s volunteers are senior missionaries. After my interview with McMullin, a church spokesman clarified that the majority of the 1,400 “are part-time employees, not volunteers.”

Back in Salt Lake City, at Deseret Book’s headquarters, it’s business as usual for Sheri Dew, the CEO. A plaque on one wall of the publisher’s entrance foyer celebrates Joseph Smith as a best-selling author. An identical plaque celebrates Dew, whose works include two biographies of Mormon Church presidents, one of a Mormon Miss America, and one book titled *If Life Were Easy, It Wouldn’t Be Hard*.

A lunch meeting in Dew’s office begins with bowed heads. “We ask you to bless our business discussions and our food,” prays one attendee. After saying grace, the small group launches into a conversation about potential new titles for Deseret Book’s general audience imprint, Shadow Mountain, which is sold through Mormon outlets as well as Wal-Mart Stores.

For each proposal, Dew asks, “How does this fit us?” at which point a pitch is made about the book’s treatment of

faith, family, marriage—or at the very least themes as general as the battle between good and evil.

Dew is proudly working to bring both honor and profit to the church. The more time you spend with Mormons like her, the less there seems to be a distinction between the two. Munching on salads and turkey club sandwiches from the new City Creek Cheesecake Factory, Dew and her colleagues consider aggressive marketing strategies for an author who has contracts with both Deseret and Simon & Schuster. “Who wouldn’t want to show up Simon & Schuster?” asks Dew. “I mean, this is capitalist America, isn’t it?”

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